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WEST GERMANY: West German - Soviet negotiations last week continued to make progress on issues that could affect the debate over ratification of the Eastern treaties, but Bonn has made little progress in negotiations with East Germany.

In meetings last weekend, Soviet Ambassador Falin and State Secretary Frank agreed to a formula for including West Berlin in the purview of the new bilateral economic commission and made progress on another formula for relating the draft economic agreement to the city. Such a Berlin clause would acknowledge Bonn's right to negotiate on behalf of West Berlin on subjects that do not affect the city's special status. In an effort to improve the atmosphere for the first vote on ratification in early May, Falin proposed that the commission meet in April and that the agreement be initialed the same month and signed after ratification. These well-publicized steps would be intended to undercut opposition charges that the Soviet treaty has not led to any tangible improvements in West German - Soviet relations.

Although preparations for West Berliners to visit East Berlin and East Germany over Easter are proceeding smoothly, State Secretary Bahr's latest round of negotiations with his East German partner, Kohl, on a general traffic agreement yielded little palpable progress on important political questions. A Foreign Ministry official, following the talks on 23-24 March, estimated that 70 to 80 percent of the technical problems had been resolved, basic understandings that probably had been achieved when initial talks were suspended last fall. The official identified eight questions, most involving East Germany's status and sovereignty, on which no demonstrable progress had been made. [redacted]

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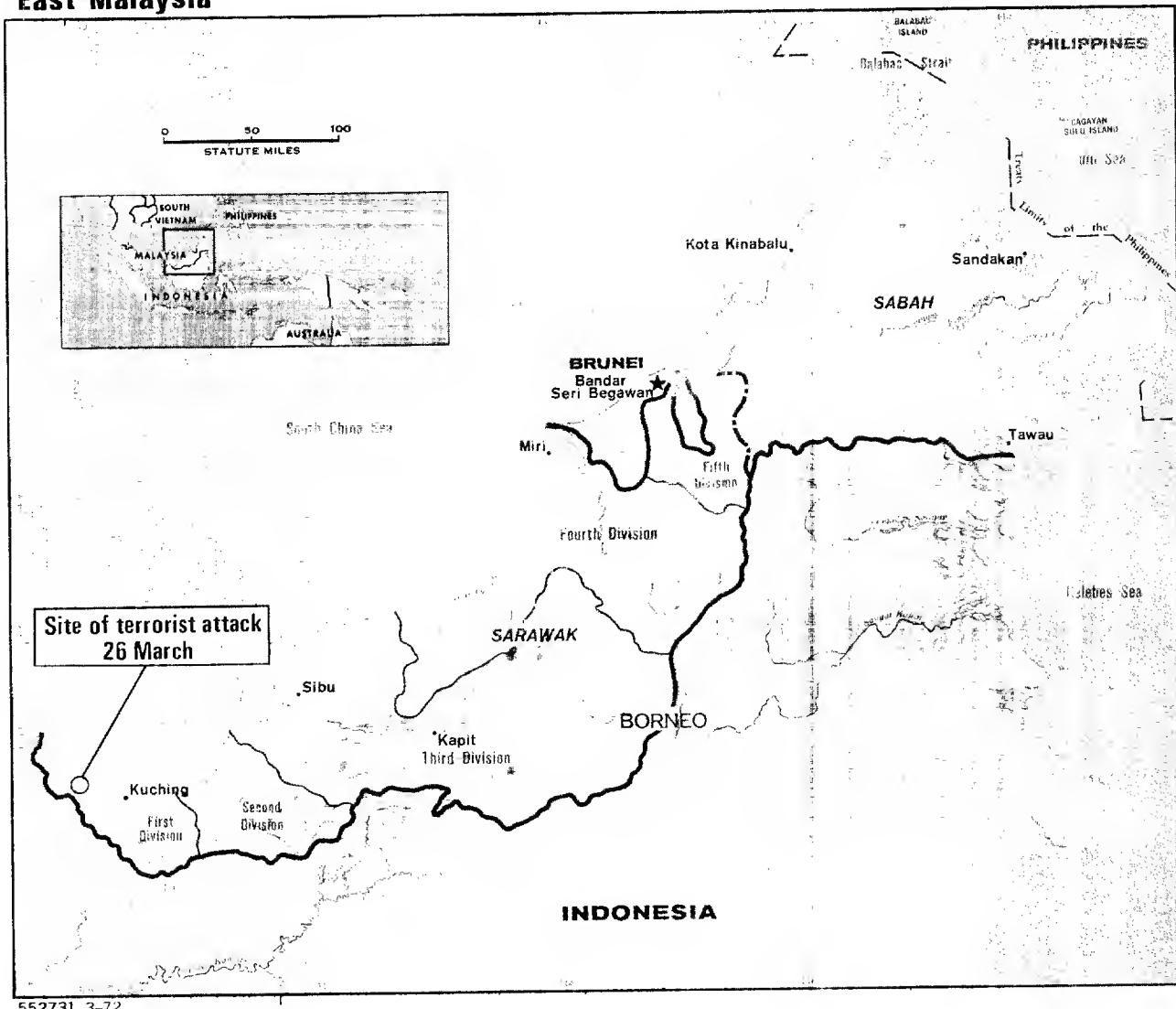
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East Malaysia



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MALAYSIA: Prime Minister Razak has announced new measures to combat mounting Communist insurgency in East Malaysia.

The largest terrorist attack to date, in which 15 government troops were killed, occurred in the generally quiet First Division on 26 March during Razak's visit to Kuching to discuss the deteriorating security situation. The insurgency in Sarawak, like the one in West Malaysia, is almost exclusively Chinese, but it also receives support, albeit under duress, from a growing proportion of Iban tribesmen.

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To cope with the problem, the government has initiated a program that will include the arming of villagers in outlying towns, starting a "voluntary" resettlement scheme, taking over all private schools in Sarawak, and creating a special security area in the Third Division where terrorists have been most active. This area would be run separately from the rest of the state under a combined military, police, and civilian administration.

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TURKEY: Political and military leaders appear increasingly concerned over the slowness of the government's reform program.

The National Security Council, which includes the top military leaders, issued a public statement on 27 March noting that various organizations and individuals are continuing to engage in "negative and sterile controversies" which run counter to "the state's supreme interests." The council called on Parliament to enact "rapidly" those laws necessary to eliminate the "anarchic situation."

The strongly worded statement probably was prompted by the recent disruption in Parliament during the debate that preceded the extension of martial law, but it was also intended to prod all political factions to get on with the business of reform. [The Council's public statement may also have been designed to reduce dissension within the officer corps over the lack of a vigorous reform program.]

In northern Turkey, meanwhile, the search continues for the kidnapers of the British and Canadian radar technicians. Although the kidnapers have not yet contacted the authorities with ransom demands, it is generally assumed that the victims are being held hostage for the three condemned terrorist leaders. They gained a temporary reprieve yesterday from their death sentences when the Constitutional Court, on appeal from the Republican People's Party, agreed to study the law under which the sentences were ordered.

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~~L~~ PERU: The recent discovery of terrorist plans and weapons has disturbed the Peruvian Government, which has not been faced with violent opposition since taking power in October 1968.

On 15 March ten members of the "technical commission" of the Vanguardia Revolucionaria, a small extremist group, were arrested in connection with bank robberies that had occurred in Lima since January 1971. [redacted]

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The arrests have thrown the Vanguardia into such disarray that it probably cannot carry out an effective program of violence in the near future. Nevertheless, the existence of terrorist plans indicates that the government has not yet completely pre-empted the program of the extreme left. The arrests, however, have put the extremists on notice that the government will not tolerate their activities. [redacted]

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NOTES

MALTA-CHINA: Prime Minister Mintoff will announce today his plans to leave Thursday for Peking.

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[redacted] he received the invitation when Malta recognized Peking on 31 January and that the Chinese had offered economic aid "without strings." Mintoff thinks the Chinese will give Malta at least the additional \$6.5-million payment he was unable to squeeze out of the NATO allies during the recently concluded negotiations. The Chinese will receive Mintoff warmly but are unlikely to give him all he wants. This trip, which is part of Mintoff's continued efforts to expand Valletta's international contacts, will serve to reinforce the prime minister's domestic stature. [redacted]

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[redacted]
TURKEY: Plans to compensate farmers for the loss of income resulting from the ban on poppy cultivation and to develop alternative crops are progressing very slowly. Current efforts are virtually stalemated by Ankara's failure to appoint a co-ordination board to provide leadership. The scheme to introduce high-yield wheat in poppy growing areas may collapse if decisions are not made soon to enable farmers to meet critical planting dates, beginning in April. [redacted]

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[redacted]
ALGERIA-CZECHOSLOVAKIA: Prague has agreed to provide \$50 million in credits for complete plants and machinery to Algeria. Although the credits are not allocated to specific projects, industrial, mining, agricultural, and irrigation equipment were mentioned as the major areas of interest. The agreement follows the meeting in February of the Czechoslovak-Algerian Committee for Economic and Technical Cooperation. At that time Czechoslovakia also agreed to continue a 1964 credit of \$15 million, only about one third of which has been used. [redacted]

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NEW ZEALAND: Wellington's first long-term economic stabilization program is designed to check inflation and stimulate the economy. The program replaces a temporary package introduced in February but includes more stringent price and wage controls. A new pricing authority will make random checks of firms' accounts and profit margins. Reserve bank lending rates also will be lowered to stimulate investment. The rate of economic growth has fallen off, largely because of stagnating agricultural export earnings and sluggish investment in the industrial sector. Inflation has been running at an annual rate of almost ten percent for the last two years, more than double that of the preceding two years. The government, which faces close elections later this year, views anti-inflationary action as a political necessity. Although both employers and labor have attacked the new measures as too drastic, initial public response has been favorable.

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